

## Message Text

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PAGE 01 TOKYO 08745 01 OF 02 131103Z  
ACTION EB-07

INFO OCT-01 ARA-10 EUR-12 EA-07 ISO-00 TRSE-00 AID-05  
CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00  
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01  
IGA-02 /090 W  
-----131118Z 046903 /10

P R 130955Z JUN 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC PRIORITY 8585  
INFO AMEMBASSY BERN  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY CARACAS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LISBON  
AMEMBASSY LONDON  
AMEMBASSY OSLO  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY STOCKHOLM  
AMEMBASSY THE HAGUE  
AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 8745

BRUSSELS ALSO FOR US MISSION EEC

PARIS ALSO FOR USMISSION OECD

E.O. 11652: GDS  
TAGS: EFIN, PO, JA  
SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REF: TOKYO 8410  
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1. SUMMARY: GOVERNMENT OF JAPAN (GOJ), AFTER ANOTHER  
REVIEW OF POSSIBLE MEANS PROVIDING FINANCIAL ASSISTANCE TO  
PORTUGAL, HAS CONCLUDED THAT EXPORT-IMPORT BANK FINANCING  
IS ONLY FEASIBLE VEHICLE. THEY BELIEVE THEY CAN COMMIT THEMSELVES  
TO \$50 MIL OF SUCH ASSISTANCE OVER THE NEXT 18 MONTHS.  
WHILE THEY WOULD SEEK TO LIBERALIZE THE TERMS OF SUCH

ASSISTANCE AS MUCH AS POSSIBLE, IT WOULD STILL IN FINAL ANALYSIS BE TIED TO PROCUREMENT IN JAPAN. THEY AWAIT USG REACTION TO THEIR PROPOSED ASSISTANCE BEFORE DECIDING THEIR PLANS FOR PARTICIPATION AT PROPOSED JUNE 22 MEETING. END SUMMARY.

2. EMBOFFS TODAY CALLED ON WATANABE (DEPUTY DIRECTOR GENERAL, INTERNATIONAL FINANCE BUREAU, MINISTRY OF FINANCE) AT HIS REQUEST TO HEAR RESULTS OF GOJ REVIEW OF POSSIBILITIES FOR FINANCIAL ASSISTANCE TO PORTUGAL UNDERTAKEN AS A RESULT OF APPROACH REFTEL. WATANABE REAFFIRMED THAT GOJ COULD NOT ENVISAGE ASSISTANCE WHICH WOULD REQUIRE OBTAINING NEW AUTHORITY FROM DIET AND THAT COMMERCIAL BANKS HAVE BEEN UNWILLING TO PARTICIPATE IN ASSISTANCE TO PORTUGAL WITHOUT GOVT GUARANTEE. THUS, ONLY FEASIBLE POSSIBILITY THEY SAW WAS MEDIUM-TERM EXPORT CREDITS BY THE JAPAN EXIMBANK WHICH ARE TIED TO JAPANESE IMPORTS.

3. WATANABE SAID THAT JAPAN THOUGHT THAT IT COULD OVER THE NEXT 18 MONTHS FIND \$50 MIL IN SUCH CREDITS FOR PORTUGAL. HE INDICATED, HOWEVER, THAT, GIVEN THE PATTERNS OF TRADE BETWEEN PORTUGAL AND JAPAN, IT WOULD BE HARD TO INCREASE THE AMOUNT FROM \$50 MIL TO \$75 MIL AS HAD BEEN SUGGESTED BY THE U.S. YAMAGUCHI (DIRECTOR, OVERSEAS PRIVATE INVESTMENT DIVISION, INTERNATIONAL FINANCE BUREAU, MOF), WHO WAS ALSO PRESENT AT MEETING (AND NOT READING FROM PREPARED POSITION PAPER, AS WAS WATANABE), POINTED OUT ALSO THAT WHILE INCREASE IN ESTIMATED MAGNITUDE OF PORTUGAL'S FINANCING REQUIREMENTS HAD RESULTED IN SUGGESTIONS FOR AN INCREASE ON THE PART OF JAPAN, NO SIMILAR

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INCREASE WAS APPARENTLY ENVISAGED FOR THE U.S. AND GERMANY. EMBOFFS POINTED OUT THAT U.S. \$300 MIL ASSISTANCE IS WHAT WE HAVE REQUESTED FOR FISCAL YEAR 1978, AND THE OPTION REMAINS OPEN OF SEEKING FURTHER FUNDS FOR FY 1979. YAMAGUCHI SUGGESTED THAT SOME, NOT NECESSARILY PARI PASSU, INCREASE IN THE U.S. AND GERMAN CONTRIBUTIONS MIGHT BE HELPFUL IN ENCOURAGING OTHERS TO RAISE THEIR SIGHTS.

4. WATANABE MENTIONED A NUMBER OF WAYS IN WHICH THE GOJ WOULD SEEK TO LIBERALIZE THE TERMS OF ITS ASSISTANCE TO PORTUGAL. FOR ONE THING, HE INDICATED THAT THE LENDING WOULD NOT NECESSARILY BE TIED TO SPECIFIC PROJECTS. CAPITAL GOODS WOULD BE THE MAIN OBJECT OF LENDING, BUT THE JAPANESE WOULD TAKE INTO ACCOUNT THE PAST PATTERNS OF PORTUGUESE IMPORTS FROM JAPAN AND WOULD THEREFORE DEMONSTRATE SOME FLEXIBILITY IN FINANCING OTHER THAN CAPITAL GOODS EXPORTS. IT WAS ALSO INDICATED THAT, INSTEAD OF ADHERING TO USUAL JAPAN EXIMBANK PRACTICE OF UTILIZING SUPPLIER CREDITS, THEY WOULD ALSO CONSIDER LOANS TO

PORTUGUESE BANKS WHICH COULD BE USED TO FINANCE IMPORTS  
FROM JAPAN.

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INFO OCT-01 ARA-10 EUR-12 EA-07 ISO-00 CIAE-00 DODE-00

PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 TRSE-00 AID-05 OMB-01

IGA-02 /090 W

-----131117Z 047046 /10

P R 130955Z JUN 77

FM AMEMBASSY TOKYO

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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 8745

BRUSSELS ALSO FOR US MISSION EEC

PARIS ALSO FOR USMISSION OECD

5. IN ENSUING DISCUSSION, MOF OFFICIALS INDICATED THAT  
LOANS FOR CAPITAL AND POSSIBLY CERTAIN OTHER INDUSTRIAL GOODS  
COULD BE OF FIVE-YEAR MATURITIES OR LONGER. WHILE TERMS OF LENDING  
FOR CONSUMER GOODS MIGHT DEPEND UPON THE COMMODITY IN QUESTION,  
THIS PROBLEM COULD BE ALLEVIATED IN THE CASE OF LOANS TO IMPORTER  
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BANKS WHERE THE MATURITY WOULD NOT NECESSARILY BE RELATED TO THE TYPE OF GOODS IMPORTED. IN RESPONSE TO OUR QUESTIONS, MOF OFFICIALS INDICATED THAT LENDING TO PORTUGAL IN RECENT YEARS HAS TENDED TO BE LESS THAN \$1 MIL PER ANNUM, ALTHOUGH IN FY 1977 THE VOLUME, ON A CONTRACT BASIS, HAD EXCEPTIONALLY, RISEN TO \$7-8 MIL.

6. MOF OFFICIALS INDICATED THAT THEIR PLANS FOR PARTICIPATION IN THE PROPOSED JUNE 22ND MEETING WOULD BE FORMULATED IN LIGHT OF OUR REACTION TO THE PROPOSED ASSISTANCE OUTLINED ABOVE. EMBOFFS PROMISED TO REPORT PROMPTLY TO WASHINGTON AND TO ADVISE OF WASHINGTON REACTION AS SOON AS POSSIBLE.

7. COMMENT: IN TERMS OF THE NATURE OF THE ASSISTANCE THAT JAPAN IS PREPARED TO COMMIT TO PORTUGAL AT THIS STAGE, FOREGOING PROBABLY REPRESENTS SUBSTANTIALLY THE MAXIMUM IT IS PREPARED TO DO IN THE ABSENCE OF FURTHER HEAVY, HIGH-LEVEL PRESSURE. HOWEVER, IT SEEMS TO US THAT, IF WASHINGTON CONSIDERS INCREASED ASSISTANCE ON THESE TERMS USEFUL, IT MIGHT BE POSSIBLE, ALTHOUGH BY NO MEANS CERTAIN, TO GET THE JAPANESE TO INCREASE THE AMOUNT OF THEIR LENDING. JAPANESE EXPORTS TO PORTUGAL IN 1976 TOTALED ALMOST \$130 MIL, WHICH WOULD SUPPORT A HIGHER A HIGHER LEVEL OF ASSISTANCE AND MORE FINANCING FOR CONSUMER GOODS. IN THIS CONNECTION, ASSUMING STATEMENT CITED PARA 3 ABOVE IS MOST FORTHCOMING STATEMENT THAT CAN BE MADE WITH RESPECT TO THE PROSPECTS FOR ADDITIONAL LENDING BY THE U.S., IT WOULD BE USEFUL TO KNOW WHETHER GERMANY HAS CONSIDERED OR SAID ANYTHING ABOUT INCREASING ITS CONTRIBUTION BEYOND \$200 MIL ALREADY ENVISAGED AS RESULT OF INCREASED ESTIMATE OF PORTUGAL'S REQUIREMENT. END COMMENT.  
MANSFIELD

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009